



Ralph S. Northam
Governor

COMMONWEALTH of VIRGINIA


R. Brian Ball
Secretary of Commerce & Trade

Department of Small Business and Supplier Diversity

Tracey G. Wiley
Director

To: The Honorable R. Brian Ball
Secretary of Commerce and Trade

House of Appropriations & Senate Finance Committees

From: Tracey G. Wiley, Director 
Virginia Department of Small Business and Supplier Diversity

Date: July 31, 2020

CC: Angela Navarro, Deputy Secretary of Commerce and Trade
Laura L. Wilborn, Division of Legislative Automated Systems

Subject: Department of Small Business and Supplier Diversity Work Plan: Second Quarter

We appreciate the opportunity to share with you the work that has been accomplished in the second quarter of the year in relation to our 2020 Agency Work Plan. We are on track with the majority of our goals and are meeting with our staff monthly to review performance. Many of the goals are cumulative and we expect to reach our targets as the year progresses.

During this quarter, the agency has continued to play an integral role in providing support and information to small businesses impacted by COVID-19. Through support from the Governor's Office and the Secretary of Commerce and Trade's Office, the agency was successful in securing \$70 million of CARES Act funding for the purpose of deploying relief and recovery grants to Virginia's small businesses. This grant will help support small businesses impacted by Executive order 53 and 55. The program labeled, Rebuild Virginia, has been designed with equity, diversity, and inclusion in mind to ensure the most vulnerable businesses in Virginia have access to relief.

The Virginia Small Business Financing Authority, a division of SBSB, has taken the lead in designing and developing an automated portal for businesses to apply. The portal will automate aspects of the screening process to determine eligibility and support faster more efficient processing of funds to grantees. Marketing and grant deployment will occur during the next reporting period. The agency is excited to be a part of this statewide initiative to rebuild devastated Virginia businesses.

The agency has been coordinating since February with the Joint Legislative Audit & Review Commission (JLARC) on the SBSB Operations and Performance Review, which will be complete in the Fall of 2020. Staff have spent a great deal of time gathering data and sharing information on agency programs and how they support the mission of growing and developing Virginia's small businesses. SBSB has also shared information related to potential policy options for consideration with specific focus on the current Commonwealth small business definition and goal setting for agencies in support of the SWaM initiative in subsequent years. During this quarter, the agency has been included in an Information Sensitive System Security Audit by the Auditor of Public Accounts.

We expect that review to be complete during the next reporting period. The agency was notified by the Department of Accounts that it would be included in a Quality Assurance Review of the Agency Risk Management and Internal Control Standards this Fall, exact date to be determined. Lastly, the agency is pleased to share that the Auditor of Public Accounts issued in April of 2020 a report of their findings and recommendations in relation to internal controls for calendar year 2019 and SBSB was the only agency out of fourteen that had no findings or recommendations.

We look forward to updating you at the end of October on our progress and performance in the third quarter of the year. We plan to focus on different divisions within the agency each reporting period to give you a holistic perspective on the work we are doing.

Thank you and please let us know if you have any questions on items not addressed in this report.

**Department of Small Business and Supplier Diversity
Agency Work Plan
January 1-December 31, 2020**

Overview

Mission: Economic Growth and Development of Virginia's Small Businesses

The mission of the Virginia Department of Small Business and Supplier Diversity (SBSD) is to serve Virginia's small businesses, by enhancing growth opportunities through increased revenue and job creation that raises the standard of living of all Virginians.

Agency Vision:

The Virginia Department of Small Business and Supplier Diversity (SBSD), formerly the Department of Business Assistance, was formed to meet the needs of existing and new small businesses. Over the life of the agency, the mission has expanded so that small, woman, and minority-owned businesses are included in this vision. Then and now, the department separates these important functions from the political process and ensure that all Virginia small businesses receive assistance to grow and prosper in the Commonwealth through education, counseling, certification, and access to financing.

Agency Goals:

Statewide Goals Advanced by SBSD's Strategic Goals, Objectives and Strategies

- Be a national leader in the preservation and enhancement of our economy.
- Engage and inform citizens to ensure we serve their interests.
- Be recognized as the best-managed state in the nation.
- Ensure that Virginia has a transportation system that is safe, enables easy movement of people and goods, enhances the economy and improves our quality of life.

The goals listed above are statewide goals with many contributors in which SBSD plays a role. The agency is committed to customer service, advocacy for small businesses, and support of other Virginia state agencies. SBSD specific goals do not stand alone, but support the broader goals of the entire Commonwealth.

Agency Goal I: Spur economic vitality through strategic investment of resources.

For the Department this means implementing strategies that assist small businesses to be more competitive in a rapidly changing global economy.

Agency Goal II: Enhance the positive business climate in Virginia for small businesses as they move through the business life cycle: formation, stabilization, and growth.

For the Department this means providing services designed to assist with the development and growth of small businesses, as they are the economic engine of the Commonwealth.

Agency's Objectives and Strategies for 2020

Agency Goal #1:

Spur economic vitality through strategic investment of resources.

Objective

Utilize agency resources to maximize the creation and retention of jobs within the Commonwealth as well as growth for wealth maximization of our current small business population.

Overall success toward meeting this objective will be assessed through the following measures:

- Number of jobs created and retained by businesses receiving loans from the VSBFA (Work Plan Measure)
- Number of presentations to financial institutions and economic development partners (Strategic Plan Measure)
- Total number of jobs created and retained by small business borrowers as a result of VSBFA programs (Work Plan Measure)
- Total numbers of jobs created and retained in rural areas for all borrowers (Work Plan Measure)
- Total private investment enabled for borrowers under all VSBFA programs (Work Plan Measure)
- Make available a pool of Small, Women, and Minority (SWaM) and Disadvantaged Business Enterprise (DBE) certified vendors for local, state, and corporate/private entities (Strategic Plan Measure)
- Average number of days to process a Small, Women, and Minority (SWaM) certification application (Strategic Plan Measure)
- Support of service disabled veteran businesses through certification (Strategic Plan Measure)

Virginia Small Business Financing Authority (VSBFA)

Number of jobs created and retained by all businesses receiving loans from the VSBFA

- Staff will provide data quarterly on the amount of jobs created from loans made across all programs of the VSBFA. **(Baseline 400; Goal 400)**
Q1. 13,658
Q2. 5,055 (YTD 18,713)
Q3.
Q4.

Number of presentations to financial institutions and economic development partners

- Staff will provide data quarterly on the amount of marketing presentations and the economic development and banking partners associated. **(Baseline 150; Goal 300)**
Q1. 80
Q2. 86 (YTD 166)
Q3.

Q4.

Total number of jobs created and retained by small business borrowers as a result of VSBFA programs

- Staff will provide data quarterly on the number of jobs created and retained by small businesses as a result of VSBFA programs (**Baseline 200; Goal 300**)

Q1. 174

Q2. 61 (YTD 235)

Q3.

Q4.

Total numbers of jobs created and retained in rural areas for all borrowers

- Staff will provide data on the numbers of jobs created and retained in rural areas for all borrowers. See appendix. (**Baseline 150; Goal 150**)

Q1. 168

Q2. 54 (YTD 222)

Q3.

Q4.

Total private investment enabled for borrowers under all VSBFA programs

- Staff will provide data on the total private investment (non-VSBFA) enabled for borrowers under all VSBFA programs. (**Baseline \$5,250,000; Goal \$7,500,000**)

Q1. \$126,981,514

Q2. \$178,443,000 (YTD \$350,424,514)

Q3.

Q4.

SWaM Certification Division (SWaM)

Make available a pool of Small, Women, and Minority (SWaM) and Disadvantaged Business Enterprise (DBE) certified vendors for local, state, and corporate/private entities

- Staff will provide data quarterly on the number of currently certified SWaM and DBE businesses. (**Baseline 14,000; Goal 15,000**)

Q1. SWaM = 12,272 DBE = 2,799 Total = 15,071

Q2. SWaM = 12,254 DBE = 2,824 Total = 15,078

Q3.

Q4.

Average number of days to process a Small, Women, and Minority (SWaM) certification application

- Staff will provide data quarterly on the average number of business days to process a certification application. (**Baseline 86; Goal 60**)

Q1. 56

Q2. 54

Q3.

Q4.

Support of service disabled veteran businesses through certification

- Staff will provide data quarterly on the number of service disabled veteran small businesses certified. **(Baseline 250; Goal 500)**
Q1. 431
Q2. 456
Q3.
Q4.

Agency Goal #2:

Enhance the positive business climate in Virginia for small businesses as they move through the business life cycle: formation, stabilization and growth.

Objective

To provide services designed to assist with the development and growth of small businesses in the Commonwealth.

Overall success toward meeting this objective will be assessed through the following measures:

- **Number of education and outreach activities conducted to assist Virginia small businesses with strategic growth and development (Strategic Plan Measure)**
- **Percentage of businesses that maintained or experienced growth in revenue as a result of participating in the New Virginia Scaling 4 Growth Development Program (Work Plan Measure)**
- **Number of businesses served through Business One Stop (Work Plan Measure)**
- **Number of partners worked with annually to support Virginia small businesses (Strategic Plan Measure)**
- **Number of VDOT projects supported through vendor development and technical assistance (Work Plan Measure)**

Business Development and Outreach Services (BDOS)

Number of education and outreach activities conducted to assist Virginia small businesses with strategic growth and development

- Staff will provide data quarterly on the number of outreach events and/or activities held or participated in annually. **(Baseline 1,000; Goal 1,700)**
Q1. 503
Q2. 597 (YTD 1,100)
Q3.
Q4.

Percentage of businesses that maintained or experienced growth in revenue as a result of participating in the New Virginia Scaling 4 Growth Development Program

- This data will be provided by Interise on an annual basis. **(Baseline 30%; Goal 30%)**
Q1. N/A annual metric
Q2. N/A annual metric
Q3.
Q4.

Number of businesses served through Business One Stop

- Staff will provide data quarterly on the number of small businesses served through Business One Stop. **(Baseline 2,300; Goal 2,600)**
Q1. 599
Q2. 714 (YTD 1,313)
Q3.
Q4.

Number of partners worked with annually to support Virginia small businesses

- Staff will provide data quarterly on the number of partner organizations worked with to support Virginia Small Businesses. **(Baseline 100; Goal 160)**
Q1. 160
Q2. 119 (YTD 279)
Q3.
Q4.

DBE Technical Assistance and Outreach (DBE Outreach)

Development of ready, willing, and able businesses prepared to support VDOT projects.

- Staff will provide data quarterly on the number of VDOT projects supported through vendor development and technical assistance. **(Baseline 10; Goal 10)**
Q1. 3
Q2. 3 (YTD 6)
Q3.
Q4.

Audit Compliance and Corrective Action:

The Department of Small Business and Supplier Diversity has had eleven audits and performance reviews and VSBFA has had five since FY15. The agency is currently undergoing a performance and operations review by the Joint Legislative Audit and Review Commission (JLARC). Their review commenced January of 2020 and is anticipated to last until September of 2020. SBSB was notified by the Auditor of Public Accounts (APA) that the agency would be audited as part of the APA Information Systems Security audit which would last from April 2020 to June 2020.

The agency audits/review recommendations are listed below:

DSBSD			
Fiscal Year	Agency	Description	Findings/Recommendations
FY20	APA	Information Systems Security Audit	Notification received 4.23.20
FY20	JLARC	Performance and Operations Review	Currently Underway
FY19	APA	Internal Controls Review and Audit	No findings
FY18	APA	Procurement Review and Audit	No findings
FY18	JLARC	Incentive Review of SBJGF	No findings for the agency, recommendation to the GA to look at wage rate
FY18	JLARC	Fiscal Impact Statement Review for SB318	No findings, impact statement for DSBSD was deemed accurate
FY18	VITA	Sensitive Systems Audit	Provide role based security training to appropriate personnel Develop a continuous monitoring program for vulnerabilities Develop IT Security Plans for each application Have users acknowledge policy adherence
FY17	Third Party Vendor	ARMICS review to evaluate agency-wide and transactional internal controls	Update and develop additional agency policies and procedures Address need for additional staff Establish budget tracking for the agency
FY17	OSIG	SWaM Certification Performance Audit (Review Period FY16)	Enhance Reporting of SWaM Compliance Establish the population of agencies required to submit SWaM plan Maintain historical SWaM Vendor Data Perform a certification division compensation study Research the feasibility in instituting a fee structure for certification Update the certification officer training manual
FY17	APA	Payroll Audit (Review Period FY16)	Transmission of data between agency and PSB Improve controls over terminated employees Update and develop additional agency policies and procedures Perform post certification activities
FY17	APA	Internal Controls Audit (Review Period FY16)	Update and develop additional agency policies and procedures ARMICS not in compliance for FY16 Monitor IT contractor performance using VITA form Review user access for internal applications Commonwealth IT Security Audit
FY17	Third Party Vendor	Independent Assessment of VSBFA Audits and Transfers as well as SBIG and SBJGF	Agency should evaluate the capital requirement for SBJGF Agency should market the SBJGF to differentiate from VJIP
FY16	JLARC	Development and Management of State Contracts in Virginia Thirty recommendations provided only 4 pertained to DSBSD	Recommendation #3 - Assist with determining price reasonableness Recommendation #4 - Assist with determining if weighted criterion for SWaM needed adjustment Recommendation #7 - Prioritize small business certification over W/M Recommendation #8 - Send notifications to businesses ahead of expiration
VSBFA			
Fiscal Year	Agency	Description	Findings/Recommendations
FY18	JLARC	Incentive Review of SBIG	Recommendation #7 - Obtain metrics from grant recipients and collect industry codes Recommendation #9 - VSBFA to review credit conditions, adjust programs as needed Recommendation #10 - VSBFA to establish a minimum job requirement for LGP, CC, and SWaM Microloan Recommendation #11 - VSBFA to monitor employment outcomes for LGP, CC, and SWaM Microloan
FY18	APA	VSBFA Federal Grants Audit	Increase policy and procedure creation for Economic Development Federal Loan programs
FY17	APA	Annual Financial Review (Review Period FY16)	No Findings
FY16	APA	Annual Financial Review (Review Period FY15)	No Findings
FY15	APA	Annual Financial Review (Review Period FY14)	Improve controls over financial reporting process Strengthen controls over off-CARS disbursements

Agency Corrective Action Plan and Timeline listed below:

DSBSD			
Fiscal Year	Agency	Description	Corrective Action
FY20	APA	Information Systems Security Audit	
FY20	JLARC	Performance and Operations Review	
FY19	APA	Internal Controls Review and Audit	None
FY18	APA	Procurement Review and Audit	None
FY18	JLARC	Incentive Review of SBJGF	None
FY18	JLARC	Fiscal Impact Statement Review for SB318	None
FY18	VITA	Sensitive Systems Audit	Complete
			Complete
			Complete
			Complete
FY17	Third Party Vendor	ARMICS review to evaluate agency-wide and transactional internal controls	Complete
			Budget Requests Submitted/No funding
			Complete
FY17	OSIG	SWaM Certification Performance Audit (Review Period FY16)	Complete
			Complete
			Complete
			Complete
			Complete
			Complete
FY17	APA	Payroll Audit (Review Period FY16)	Complete
			Complete
			Complete
			Complete
FY17	APA	Internal Controls Audit (Review Period FY16)	Complete
			Complete
			Complete
			Complete
			Complete
FY17	Third Party Vendor	Independent Assessment of VSBFA Audits and Transfers as well as SBIG and SBJGF	Complete/Legislation was introduced
			Complete
FY16	JLARC	Development and Management of State Contracts in Virginia	Complete
		Thirty recommendations provided only 4 pertained to DSBSD	Complete
			Complete
			Complete
VSBFA			
Fiscal Year	Agency	Description	Corrective Action
FY18	JLARC	Incentive Review of SBIG	Complete
			Underway
			Unable to implement/communication sent to JLARC
			Complete
FY18	APA	VSBFA Federal Grants Audit	Complete
FY17	APA	Annual Financial Review (Review Period FY16)	None
FY16	APA	Annual Financial Review (Review Period FY15)	None
FY15	APA	Annual Financial Review (Review Period FY14)	Complete
			Complete

Discussion Points:

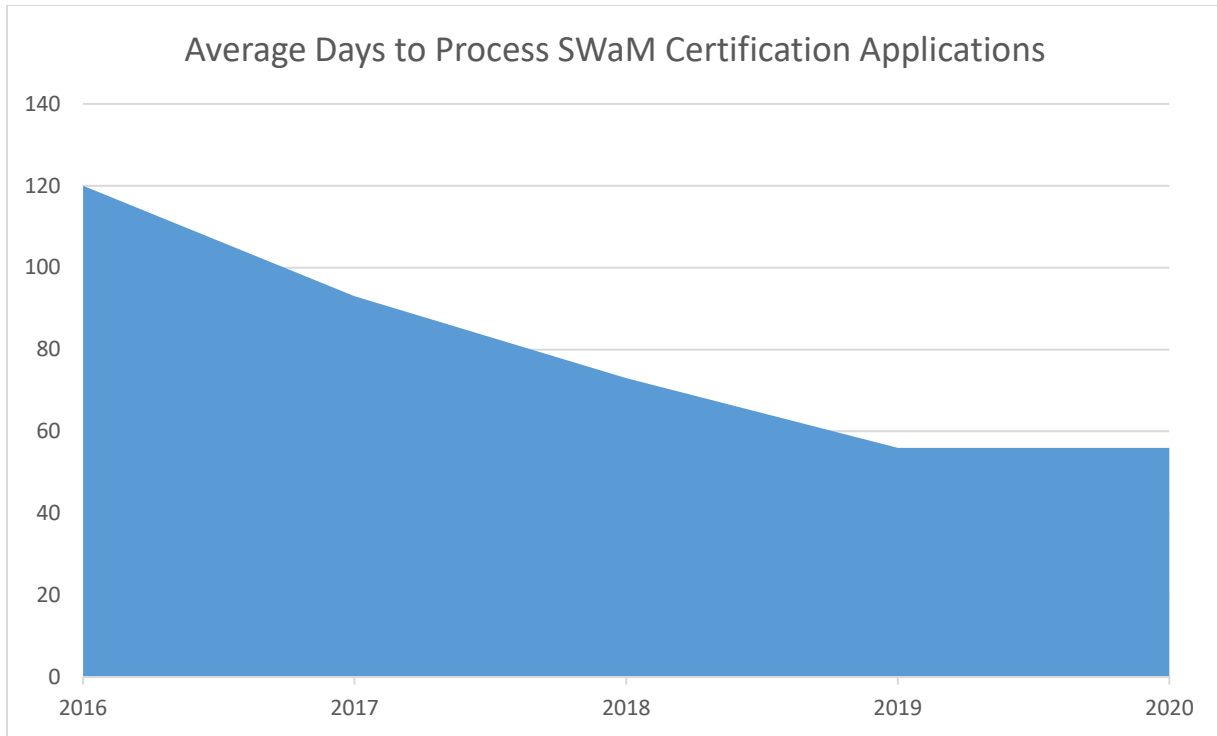
The agency is committed to supporting small businesses by providing access to capital, opportunity through state and federal certification, and growth through comprehensive development programs. Since the merger of the Department of Business Assistance (DBA) and the Department of Minority Business Enterprise (DMBE) to create the Department of Small Business and Supplier Diversity (DSBSD) in FY15 the agency has flourished. Under the direction of new leadership, the two agencies became one and shared goals and vision were established.

The first order of business, once the mission of the agency was solidified, was to develop the infrastructure necessary to allow the agency to be successful. This required the build out of office space so both agencies could work together as one cohesive unit. Next staffing needed to be addressed; attracting new talent, addressing performance issues, and developing high potential employees was a priority. Once infrastructure was in place then current programming and performance of that programming could be evaluated. Strategic planning and SWOT analysis was completed and new performance metrics were established. Through this planning effort new programming opportunities were identified and the agency added the Virginia Scaling 4 Growth program and the Virginia Contractor's Course to our business development offerings.

By the end of FY20, we expect to have graduated ninety-five SWaM businesses from the Virginia Scaling 4 Growth program. Virginia is the first State to offer this nationally renowned program. The program is a six-month MBA style program designed to take businesses through leadership, finance, and business management modules with their final capstone project being the completion of a growth program that they can put into action upon graduation. Based on economic impact data we have captured from our graduates, 80 percent retained or created new jobs. The average revenue growth was 44 percent after completion of the program. Virginia's program results have been so impressive that Interise, the national licensing organization, has used Virginia's results as a model of success for other participants.

The agency has also made tremendous strides as it relates to streamlining the SWaM Certification process and in reducing time to process applications. In FY16, the agency was faced with a backlog of over 2,000 applications and the average processing time for SWaM certification was approximately 120 business days. The agency identified strategies to manage the application volume and instituted new technology to automate the process. As of FY18, the agency was able to clear the backlog and reduce processing times to less than 60 business days. The average number of days to process a certification application in the private sector is 90 business days; we are committed to providing a faster service to our small businesses and at no cost.

In FY20, the agency finalized streamlining efforts to reduce the burden of certification to the business owner. The agency finalized regulatory changes that reduced the amount of time a business must wait to reapply after being denied certification from 12 months to six months. The agency implemented changes that allowed more time for reapplication increasing the reapplication period from 90 days to 120 days. The agency implemented a streamlined recertification process that allows for an attestation of no change allowing the business to submit less documentation when reapplying. We have held webinars and certification labs statewide to assist applicants with the process. We have conducted outreach and increased the number of certified service disabled veteran owned businesses by 121 percent since FY18.



The agency has also been successful in updating its technology to meet the needs and expectations of the citizens of the Commonwealth. In 2017, the agency launched a new website as well as a new certification application portal. The agency created an enhanced SWaM and DBE directory to assist Commonwealth procurement officials with identification and location of certified vendors. DSBSD, in 2018, worked with nineteen state agencies to provide them with real time data feeds on SWaM certification information. These feeds populate SWaM certification data into DGS’s eVA system, DOA’s Cardinal system, VITA’s subcontractor portal and various institutions of higher education’s ERP systems. The agency launched a new Expenditure Dashboard application in FY20, which contained enhanced reporting, adjustment submission, and subcontractor submission capabilities. The agency has begun work to enhance the Business One Stop application.

The agency has accomplished a great deal and appreciates the opportunity to highlight the work that has been done and the work that will be accomplished in this upcoming reporting period. We stand ready to continue our support of the small businesses of the Commonwealth. There are currently 745,886 businesses in Virginia, of which 99.5 percent are small businesses. Virginia small businesses employed 1.5 million people or 47.2 percent of the private workforce in 2013. Our small businesses are the backbone of Virginia’s economy.

Appendix:

The agency will use the USDA definition of rural, which includes the following localities:

Accomack, Alleghany, Bath, Bland, Brunswick, Buchanan, Buena Vista City, Carroll, Charlotte, Covington City, Cumberland, Danville City, Dickenson, Emporia City, Essex, Franklin City, Galax City, Grayson, Greensville, Halifax, Henry, Highland, King and Queen, King George, Lancaster, Lee, Lexington City, Louisa, Lunenburg, Madison, Martinsville City, Mecklenburg,

Middlesex, Northampton, Northumberland, Norton City, Nottoway, Orange, Page, Patrick, Pittsylvania, Prince, Edward, Richmond, Rockbridge, Russell, Shenandoah, Smyth, Southampton, Surry, Tazewell, Westmoreland, Wise, and Wythe.

The following localities have geographic areas within them that have been designated rural as well:

Amherst, Bedford, Campbell, Culpeper, Dinwiddie, Floyd, Franklin, Goochland, Nelson, Pulaski, Rappahannock, Sussex, and Warren.